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**LEAD DEFENDANT SENTENCED TO 46 MONTHS IMPRISONMENT  
IN EBAY SHILL BIDDING SCHEME THAT AUCTIONED  
FAKE RENOWNED PAINTINGS**

SACRAMENTO—United States Attorney McGregor W. Scott announced that KENNETH FETTERMAN was sentenced today to a term of imprisonment for 46 months for his participation in a ring of fraudulent bidding in hundreds of art auctions on eBay, including one in May, 2000 in which an eBay user was induced to bid over \$135,805 for a fake Richard Diebenkorn painting.

The case was investigated by the Federal Bureau of Investigation, the Internal Revenue Service, Criminal Investigations, and the Sacramento Valley Hi-Tech Crimes Task Force. eBay also substantially assisted in this investigation.

According to Assistant U.S. Attorneys S. Robert Tice-Raskin and Pat Hanly, who are prosecuting the case, KENNETH FETTERMAN, age 36, formerly of Placerville, California, was sentenced this morning by United States District Judge Lawrence K. Karlton following his guilty plea to six counts of money laundering for his participation in the fraud and money laundering related to the fraud. As part of his sentence, FETTERMAN was sentenced to three years, ten months imprisonment, placed on supervised release following his imprisonment for a period of three years, prohibited from participating in on-line auctions of any kind during his period of supervision, and ordered to pay restitution in the amount of \$94,682.00 to the victims of the fraud.

Co-conspirator KENNETH A. WALTON, age 36, a former attorney from Sacramento, California, previously pled guilty to three counts of wire fraud and four counts of mail fraud for making "shill" bids on April 17, 2001. Likewise, co-conspirator SCOTT BEACH, age 33, of Lakewood, Colorado, pled guilty to one count of wire fraud, and three counts of mail fraud on the same date. Sentencing for both is set for June 2, 2004 at 9:30 a.m.

The 1998-2000 Auction Fraud

Defendant FETTERMAN admitted as part of his plea that he and defendants WALTON and BEACH created more than 40 User Ids on eBay using false registration information, and

then used those aliases to place fraudulent bids to artificially inflate the prices of literally hundreds of paintings auctioned on eBay from November 1998 to June 2000.

FETTERMAN admitted that the three defendants shielded their true identities from eBay by providing bogus names, postal addresses, and telephone information, and by providing e-mail addresses obtained from free e-mail providers known to collect little or no verifiable information on their account holders. By creating multiple User Ids, the defendants intended to trick other eBay users into believing that the "shill" bids they placed on each other's items were legitimate.

FETTERMAN and his co-conspirators admitted that, in combination, their User Ids hosted more than 1000 auctions from December 1998 to May 2000, and that the overwhelming majority of these auctions involved the placement of fraudulent bids. The final sale prices on these auctions ranged as high as \$135,805.

In addition, FETTERMAN admitted that he purposefully laundered proceeds in connection with one of the auctions, the C. Still auction, by causing proceeds from the sale of that painting to be deposited into the bank account of his girlfriend for his ultimate use.

#### The Fake Richard Diebenkorn Auction in May 2000

FETTERMAN admitted that he and WALTON bought an unsigned painting for resale from an antique store located in Little Rock, California. WALTON then forged the initials "RD 52" in the bottom right corner of the painting selecting those initials to defraud eBay users into believing the painting had been created by renowned artist Richard Diebenkorn.

On April 28, 2000, WALTON listed "RD 52" for sale on eBay under his alias golfpoorly, and placed digital photos of the painting on the eBay site, including a close-up of the forged initials. In describing the painting to users, WALTON misrepresented that it had been purchased in Berkeley, California, to promote the falsehood that the painting had been acquired from an area where Diebenkorn created artwork in the early 1950's. The defendants, including defendant FETTERMAN, then made more than 50 fraudulent bids on the auction of "RD 52," in amounts ranging from 30 cents to \$135,505, causing an eBay user from the Netherlands to place a winning bid of approximately \$135,805.

#### The "C. Still" Auction in November 1999

FETTERMAN separately admitted that he forged the signature "C. Still 1955" on the back of another painting to make it appear as if it had been painted by renowned American painter Clyfford Still. On November 26, 1999, co-schemer WALTON listed the painting for sale on eBay under the User ID advice that he titled "Great Large Older Abstract Expressionist Oil." WALTON posted a digital picture on eBay showing what appeared to be the name "C. Still 1955" on the back of the painting.

During the course of the auction, defendant FETTERMAN and his co-schemer WALTON made 16 fraudulent bids on the auction of the "C. Still," in amounts ranging from \$70 to \$10,000. The highest fraudulent bids made in this auction were placed by the User ID charles\_still@pmail.net, which defendant FETTERMAN had created during the auction to convey the false impression that a relative of Clyfford Still was bidding on the painting. As a

result of the scheme to defraud, an eBay user was induced to place a winning bid of approximately \$33,488 on the "C. Still."

On December 7, 1999, defendant FETTERMAN and WALTON then created and sent an e-mail, purportedly from an art expert named Gerald Stone, congratulating the winning eBay bidder on recognizing an "excellent example" of Clyfford Still's work. In fact, Gerald Stone was a fiction concocted by defendant FETTERMAN and WALTON to deceive the eBay bidder into paying the full amount of his bid.

The first buyer declined to buy the painting after inspection. Thereafter, on January 3, 2000, WALTON sold the "C. Still" to another eBay user for \$30,500. WALTON received \$29,500 in wired funds from this user on January 3, 2000. Between January 10 and February 2, 2000, WALTON, at the request of FETTERMAN, then transferred FETTERMAN's share of the proceeds of this sale to a bank account belonging to FETTERMAN's girlfriend so that FETTERMAN could obtain access to his share of the profits.

#### Forged Signatures, Suggestive E-mail Accounts, and a Fictitious Art Expert

FETTERMAN, like WALTON and BEACH, also admitted to placing fraudulent bids on other paintings they sold on eBay that appeared to bear signatures of renowned painters, including another Diebenkorn painting, as well as paintings purportedly signed by William Wendt, Percy Gray, Alberto Giacometti, and Maurice Utrillo.

#### Flight From Prosecution

After his indictment on March 8, 2001, FETTERMAN fled from prosecution and evaded authorities for nearly two years.

FETTERMAN was living with TERRI ANN GALIPEAUX, age 48, of Stateline, Nevada, at the time he was charged. After reading a Sacramento Bee article detailing the indictment and arrest warrant for FETTERMAN and featuring his photograph, GALIPEAUX and FETTERMAN fled their apartment and began renting motel rooms in the South Lake Tahoe area to avoid the FBI, including the Motel 6, El Nido, Washoe Motel, Star Lake Motel, and Westerner Inn.

GALIPEAUX was subsequently prosecuted for and convicted of harboring FETTERMAN after a two-day trial in August 2001. She was sentenced on January 29, 2002 to ten months in prison.

Nearly one year later, on January 11, 2003, FETTERMAN was arrested in Wichita, Kansas by the Sedgwick County Sheriff's Department for marijuana possession and failure to have a driver's license. After being identified through his fingerprints, FETTERMAN was then held in connection with the federal charges. He has remained in continual custody from that day to the present.